

BILL # HB 2577

TITLE: schools; G. I. Jr. grants

SPONSOR: Nelson

STATUS: As Introduced

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

Starting in FY 2009, the bill would allow all military personnel who were on federal active duty any time after January 1, 1991 to apply for grants to fund private school tuition and fees for their school age children. The amount provided per grant would be \$5,000 or the total amount of tuition and fees charged by a private school, whichever is less, but adjusted annually to reflect the percentage increase in the Basic State Aid “base level” prescribed in A.R.S. § 15-901.01.

Estimated Impact

The bill would not have a fiscal impact until FY 2009. The grants are estimated to cost \$6 million in FY 2009. This estimate is speculative due to a number of simplifying assumptions.

The bill’s net impact for FY 2009 and subsequent years would depend on whether enough public school students transferred to private schools to generate sufficient General Fund K-12 savings to offset the cost of providing grants to pupils who would have attended private schools even without the bill. At a grant level of \$6 million, roughly 15,000 Average Daily Membership (ADM) pupils would have to transfer to private schools in FY 2009 to make the bill cost neutral that year. Since the current capacity of private schools is about 50,000, a one year increase of 15,000 students seems unlikely. In addition, 15,000 pupils constitute 42% of the estimated number of eligible children from military families. It is uncertain whether 42% of eligible students would live close enough to a private school that they would be interested in attending to make attendance there a reasonable option.

If the bill results in the transfer of 1,000 children out of public schools in the first year, the net cost would be approximately \$5,600,000 in FY 2009. This would consist of a \$6,000,000 grant cost for eligible pupils already in private schools minus a \$400,000 estimated savings from 1,000 public school transfers.

The Arizona Department of Education (ADE) does not have a cost estimate for this proposal.

Analysis

U.S. Department of Veterans Affairs data indicate that Arizona’s current population includes about 73,000 persons of key child-bearing age (18 – 44 years old) who have served on federal active duty since the early 1990’s. This figure equals about 3.2% of Arizona’s current population of 18 to 44 year olds, which suggests that persons eligible to apply for grants under the bill currently account for about 3.2% of the state’s 1.2 million school-age children, or 38,400 children total.

Approximately 4% of Arizona’s statewide K-12 population currently attends private schools. If 4% of children eligible for grants under the bill also currently attend private schools, this population would total approximately 1,500 children (38,400 estimated eligible children X 4% = 1,536). Assuming that 80% of them would receive \$5,000 grants under the bill would generate a new state cost of about \$6 million (1,500 students X 80% X \$5,000 = \$6 million). A relatively high (80%) reimbursement rate is assumed for this population, since grant participation under the bill would reduce parents’ out of pocket private school tuition costs by up to \$5,000 per eligible pupil.

The estimated \$6 million cost for funding \$5,000 grants for existing private school pupils, however, does not reflect a state savings of approximately \$400 per pupil that would occur, on average, for every student transferring out of public schools under the bill. This amount would reflect the difference between average per pupil funding for public schools under the K-12 equalization funding formula (currently estimated at \$5,400 for FY 2009) and the \$5,000 amount provided per grant under

the bill (which itself could be less depending on an individual grant-receiving schools' tuition and fee costs). An assumed savings of \$400 per public school pupil transferring to private schools under the bill, however, would require approximately 15,000 students to transfer out of public schools in order to render the bill cost neutral for FY 2009 (\$15,000 transfers X \$400 savings each = \$6 million total savings = estimated grant cost for eligible students already attending private schools).

The bill also potentially could reduce School Facilities Board (SFB) costs for new school construction and building renewal. This would only occur, however, if it substantially reduced enrollment growth in districts likely to qualify for new schools in the future and if the SFB approved fewer new schools accordingly. Whether this would occur under the bill is unknown.

Local Government Impact

If any individual public school lost students because of the bill, it would receive less Basic State Aid funding under the bill than under current law. Any such district also would experience reduced "budget capacity" relative to current law for items such as budget overrides, as a school district's "budget capacity" is linked indirectly to its student enrollment levels.

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